



***United States Attorney
Southern District of New York***

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**MANHATTAN U.S. ATTORNEY UNSEALS MONEY LAUNDERING
CHARGE AGAINST FORMER PRESIDENT OF GUATEMALA**

PREET BHARARA, the United States Attorney for the Southern District of New York, PATRICIA J. HAYNES, Special Agent-in-Charge of the New York Field Office of the Internal Revenue Service ("IRS"), and JOHN P. GILBRIDE, Special Agent-in-Charge of the Drug Enforcement Administration's New York Field Division ("DEA"), announced the unsealing of an Indictment charging ALFONSO PORTILLO, the former President of Guatemala, with conspiring to launder millions of dollars he embezzled from the Government of Guatemala through bank accounts located in the United States. PORTILLO remains at large. The United States is working closely with Guatemalan authorities on this matter.

According to the Indictment unsealed today in Manhattan federal court:

PORTILLO served as the President of Guatemala from January 14, 2000, to January 14, 2004. In that capacity, he embezzled tens of millions of dollars worth of public funds, a substantial portion of which he laundered through American and European bank accounts.

PORTILLO misappropriated public money in at least three different ways:

First, in 2000 and 2002, PORTILLO embezzled approximately \$2.5 million dollars provided by the Government of Taiwan's Embassy in Guatemala. In 2000, the Taiwanese Embassy issued three checks totaling \$1.5 million, drawn upon a New York bank account created for the purpose of a Guatemalan program

designed to purchase books for school libraries, *Bibliotecas Para La Paz* ("Libraries for Peace"). PORTILLO endorsed these checks and caused them to be deposited in a bank account in Miami, Florida. None of the money from the Government of Taiwan was applied towards the Libraries for Peace program; almost \$1 million of the donation was ultimately diverted, through a series of transactions and transfers intended to conceal the source and origin of the funds, to bank accounts in the name of PORTILLO's former wife and daughter at *Banco Bilbao Vizcaya Argentaria* ("BBVA") in Paris, France. The money transferred into the BBVA Accounts was further laundered through financial institutions in Luxembourg and Switzerland, among other places.

Second, in 2001, PORTILLO embezzled approximately 30 million Quetzales (equivalent at that time to approximately \$3.9 million) from the Guatemalan Ministry of Defense. PORTILLO arranged for this money to be delivered to one of Guatemala's national banks, *Credito Hipocaterio Nacional* ("CHN"), to which PORTILLO previously had appointed as the bank's president a co-conspirator ("CC-1"). With the assistance of CC-1, PORTILLO directed the disbursement of the military funds to, among other things, finance a private land deal, disguise a loan to an associate, and issue checks to a company controlled by another co-conspirator. That co-conspirator then transferred, through a Miami bank account, a portion of that money to the BBVA accounts controlled by PORTILLO's former wife and daughter.

Finally, from approximately 2000 through 2003, PORTILLO misappropriated funds from the publicly financed reserves of CHN. PORTILLO and his co-conspirators created overdrafts in CHN accounts belonging to companies established by CC-1 and other co-conspirators. Through the use of these overdrafts, PORTILLO and his co-conspirators withdrew and transferred money from CHN accounts in excess of the accounts' otherwise existing balances. PORTILLO used these overdraft withdrawals and transfers to purchase, among other things, various personal items -- including expensive watches and cars -- for himself and his associates. On other occasions, PORTILLO and his co-conspirators used the overdrafts on CHN accounts to transfer and launder funds into business and personal accounts, maintained in the United States and elsewhere, belonging to co-conspirators. Relying on the CHN overdrafts, PORTILLO also transferred money to help prop up two failing banks that were principally owned by a close associate and political supporter of PORTILLO's, Banco Promotor and Banco Metropolitano.

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The case has been assigned to United States District Judge ROBERT P. PATTERSON. If convicted of the money laundering conspiracy count with which he is charged, PORTILLO, 58, faces a maximum term of 20 years in prison and a maximum fine of the greater of \$500,000, or twice the value of the monetary instruments or funds involved in the money laundering transactions.

United States Attorney PREET BHARARA stated: "ALFONSO PORTILLO is charged with converting the office of the Guatemalan presidency into his personal ATM. Through various alleged embezzlement schemes, including one which involved \$1.5 million intended for Guatemalan school children, PORTILLO abused the trust of his nation's people. Our Office remains committed, along with our law enforcement partners at the DEA and the IRS, to prosecuting those who use American banks and financial institutions to launder the ill-gotten gains of their crimes. No matter who you are, if you use our financial system to launder your dirty cash, we will follow the money trail to your door."

IRS Special Agent-in-Charge HAYNES stated: "Money laundering is a serious worldwide problem that keeps countries from prospering and damages their economic health. The American economy suffers along with other economies of the world when money is laundered between the financial institutions located in various countries. IRS Criminal Investigation, working with the United States Attorney's Office and our law enforcement partners, are committed to investigate leads, following the trail of illegal money back to its source and develop the evidence needed to help prosecute money launderers."

Mr. BHARARA praised the outstanding work of the IRS and DEA, as well as the Department of Homeland Security's U.S. Immigration and Customs Enforcement, the Department of State, and the U.S. Department of Justice's Office of International Affairs for their work in this investigation. Mr. BHARARA also recognized and thanked the United Nations Commission Against Impunity in Guatemala ("CICIG"), the Guatemalan Special Prosecutor's Office for the CICIG, and the Ministerio Público in Guatemala for their assistance in this investigation.

This prosecution is being handled by the Office's Terrorism and International Narcotics Unit. Assistant United States Attorney MICHAEL M. ROSENSAFT is in charge of the prosecution.

The charge contained in the Indictment is merely an accusation and the defendant is presumed innocent unless and

until proven guilty.

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